

# **EXHIBIT 7**

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

In re: )  
)  
SECURITIES INVESTOR )  
PROTECTION CORPORATION, )  
)  
Plaintiff-Applicant, )  
)  
vs. ) 08-01789 (SMB)  
)  
BERNARD L. MADOFF )  
INVESTMENT SECURITIES, LLC, )  
)  
Defendant. )  
)  
)  
In re: )  
)  
BERNARD L. MADOFF, )  
)  
Debtor. )  
)

CONFIDENTIAL

Videotaped Deposition of BERNARD L.  
MADOFF, VOLUME III, taken on behalf of the  
Customers, before K. Denise Neal, Registered  
Professional Reporter and Notary Public, at the  
Federal Correctional Institution, 3000 Old Highway  
75, Butner, North Carolina, on the 8th day of  
November, 2017, commencing at 9:00 a.m.

\* \* \* \* \*

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20 Bob Collier, CLVS

21  
22 \* \* \* \* \*

1 Q. Do you recall any of the substance of those  
2 meetings?

3 A. They wanted to change their style of  
4 trading where they were going to direct the trades.

5 Q. What do you mean by direct the trades?

6 A. In other words, they would give  
7 instructions to me what they wanted to buy and what  
8 they wanted -- and when they wanted to sell it and  
9 so on.

10 Q. Was that atypical?

11 A. Yes.

12 Q. How so?

13 A. That was the general rule was we handled  
14 all of the decision making for the clients, limited,  
15 limited decision making. Basically, there's a  
16 definition of discretionary accounts in the  
17 securities industry where discretion is limited --  
18 discretion is limited to time and price of a  
19 security.

20 That's not considered discretion. It's  
21 only when you give them -- when you make the  
22 decision to what security to buy and sell that it  
23 becomes a full discretionary account. That's an SEC  
24 regulation.

25 Q. And so could you just expand on that and

1 explain how the Sages were different than your  
2 discretionary customers?

3 A. Well, they basically didn't have a  
4 particular strategy that was one of our specialties,  
5 which would have been convertible securities trading  
6 or split strike conversion, which happened in the  
7 later years.

8 Q. And so they directed you on to whether to  
9 buy or sell specific securities?

10 A. Yes.

11 Q. That was unusual?

12 A. Yes.

13 Q. Most of your customers were by that time in  
14 split strike?

15 A. Yes.

16 Q. Did the -- do you recall anything else of  
17 your meetings with them?

18 A. What was the question?

19 Q. Do you recall anything else of your  
20 meetings with the Sages?

21 A. Not particularly, no.

22 Q. Would you meet with all three Sages, in  
23 other words, Malcolm, Martin and Ann?

24 A. Yes.

25 Q. And would one of them do talking more than

1 A. Yes.

2 Q. And, again, do you have any understanding  
3 of what this plan was?

4 A. It's just a tax plan realizing gains when  
5 you have a short against the box transaction.

6 Q. Do you understand what Ms. Bongiorno's  
7 notes mean on this left-hand margin?

8 A. By looking at -- by her saying \$3 million  
9 gain, it's realizing only part of the transaction.

10 Q. What do you mean by that?

11 A. In other words, she must have more shares  
12 than she wants to sell.

13 Q. Okay. And then it says in a box no  
14 long-term. Do you see that?

15 A. Yes.

16 Q. Do you have an understanding --

17 A. She doesn't want --

18 Q. Let me finish. Do you have an  
19 understanding of what that means?

20 A. Not to receive -- doesn't -- do not take a  
21 long-term gain.

22 Q. That would be for a tax reason?

23 A. Yes.

24 Q. Under Sage Associates there are four  
25 transactions being directed. Do you see that?

1 A. Yes.

2 Q. And under Sage Associates II there's one  
3 transaction?

4 A. Yes.

5 Q. Under Maurice S. Sage Foundation there's  
6 one transaction; correct?

7 A. Yes.

8 Q. Would these transactions have been  
9 executed?

10 A. Yes.

11 Q. And that's because your firm would follow  
12 your client's instructions; correct?

13 A. Correct.

14 (Exhibit Number 74 was marked for  
15 identification.)

16 Q. (By Mr. Kratenstein) Let's just again go  
17 through the quick drill of confirming whether these  
18 show up on the statements and in the memos and  
19 confirms, so I'm going to put this letter here. I'm  
20 going to show you Exhibit 74, which is the  
21 December 31, 2013 Sage Associates statement --  
22 sorry -- 2003 Sage Associates statement. Do you see  
23 that?

24 A. Yes.

25 Q. And do you see the transfer of the Amgen



1 and Symantec as directed --

2 A. Yes.

3 Q. -- in Exhibit 73?

4 A. Yes.

5 (Exhibit Number 75 was marked for  
6 identification.)

7 Q. (By Mr. Kratenstein) And I'm going to show  
8 you Exhibit 75. And in Exhibit 75, do you see that  
9 that is a December 31, 2003 Sage Associates  
10 statement?

11 A. Yes.

12 Q. And do you see there the transactions that  
13 had been directed by Mr. Sage with respect to  
14 National Semiconductor, RJR, Amgen and Symantec?

15 A. Yes.

16 MS. FEIN: We didn't receive that.

17 MR. KRATENSTEIN: Oh, you didn't get that  
18 one? I'll just make sure I have the right one.  
19 Yes.

20 MS. FEIN: Thank you. Yes.

21 MS. CHAITMAN: That's Exhibit 74?

22 MS. FEIN: This is Exhibit 75; right?

23 MR. KRATENSTEIN: It's Exhibit 75.

24 MS. CHAITMAN: I'll ask do you have  
25 another one?

1 MR. KRATENSTEIN: Yes.

2 MS. CHAITMAN: Thanks.

3 (Exhibit Numbers 76, 77, 78 and 79 were  
4 marked for identification.)

5 Q. (By Mr. Kratenstein) And now let's just do  
6 the memos and confirms quickly and we're almost  
7 done. Here's Exhibit 76, Exhibit 77 --

8 MS. FEIN: Thank you.

9 Q. (By Mr. Kratenstein) -- and 78 and 79.  
10 Mr. Madoff, have you had an opportunity to look at  
11 what we've marked as Exhibits 70 -- what is it? 76,  
12 77, 78 and 79?

13 A. Yes.

14 Q. And can you tell me what those documents  
15 are?

16 A. Confirmations.

17 Q. Do they reflect the instructions with  
18 respect to the -- the execution of the instructions  
19 with respect to the Sage Associates account that are  
20 contained in the letter that we marked as Exhibit  
21 Number 73?

22 A. Yes.

23 (Exhibit Numbers 80 and 81 were marked for  
24 identification.)

25 Q. (By Mr. Kratenstein) Thank you. And there